THE WAITING *Is Over*

Farmers can rest easy knowing the Farm Bill has finally been signed into law. Removing the government from agriculture is the key to the Federal Improvement and Reform Act of 1996,

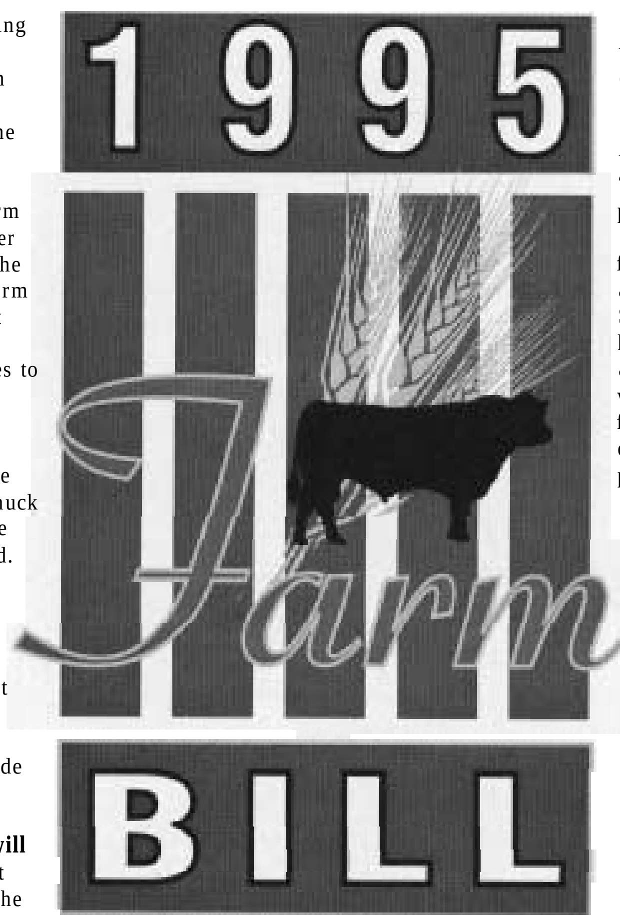
BY ANGIE STUMP

No more worrying and guessing about the future of farm programs. As farmers begin planting they finally know the structure of farm programs for the next seven years.

President Clinton signed the Federal Improvement and Reform Act of 1996 (FAIR) on April 4 after months of debate in Congress. The commonly called Freedom to Farm Bill ends 60 years of government involvement in agriculture. The 1996 bill enacts the most changes to agricultural legislation since the original Farm Bill was created during the New Deal in 1933.

A key player in developing the Farm Bill was Angus breeder Chuck Conner who is a partner in 'l'hree Rivers Angus Farm, Roanoke, Ind. Comer is staff director for the Senate agriculture committee working for Chairman Senator Lugar.

Conner says the three biggest changes in the Federal Improvement and Reform Act of 1996 (FAIR) are flexibility, set aside and payment structures.



Giving farmers flexibility will be the change that has the biggest effect on the cattle industry "For the cattle industry what we are likely going to see is more volatile prices of feed stuffs," Comer says.

Under the old Farm Bill the government told farmers what to plant to receive subsidy payments, so it was predictable each year how much would be planted.

With FAIR this practice has been decoupled. Farmers now have the flexibilitv to determine what they want to plant. With this change will come uncertainty and a more volatile pricing situation.

"The market will tell farmers what to plant," Comer explains. "Markets are an amazing thing and prices are its driving force."

Along with giving farmers more flexibility, the bill also removes set aside requirements. Under FAIR the Secretary of Agriculture no longer has the authority to require set asides. With the previous Farm Bill, when supplies were plentiful, farmers were required to take land out of production to receive payments.

The third biggest change with the new bill is the payment structure. Under the new legislation farmers will know when signing up what payments they will be receiving during the next seven years.

These payments will not be adjusted because the markets are high or low. In the old system if prices were high the government thought farmers were having a good year so they received no subsidies. In comparison, in years when the market was down they would receive federal money.

"If you look at the historical evidence we were paying opposite of when we should have been," Conner says.

Farmers will see $36 billion in guaranteed payments, starting at $5.7 billion this year and dropping to $4 billion in

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fiscal 2002. A farmer's payment will be based on past acreage and funding allocated each year.

To be eligible for payments farmers must sign a seven year contract by Aug. 1. With this one time sign up period farmers will have more certainty about their payments instead of worrying about the whims of Congress each year

To sign up farmers must have participated in programs one of the last five vears. Conner says that includes simply having certified your acreage with the Farm Service Agency (FAS), formerly ASCS office.

The all encompassing Farm Bill includes sections on conservation, research, nutrition and marketing. Other important aspects of FAIR include:

- Continuance of the 36 million acre Conservation Reserve Program (CRP) which pays farmers to idle environmentally sensitive land. Farmers can continue to stay in the program or they can opt to get out early. There will be additional sign ups which will target water quality problem areas.
- Development of the Environmental Quality Incentive Program (EQUIP) for livestock and crop producers. EQUIP was established to assist with makina environmenal and conservation improvements on the farm. It is a cost-share program in which the government and producer share the cost of making improvements such as manure management. The producer will receive annual payments over five years. The Farm Bill allocates $1.2 billion for this program.
- Extension of the food stamp and other related public-feeding programs for two years.
- Allocation of up to $300 million for Everglades restoration and creation of a three-year $300 million Fund for Rural America.

After enacting the $4.7 billion Farm Bill President Clinton said, “I am signing H.R. 2854 with reservation because I believe the bill fails to provide an adequate safety net for family farmers. The fixed payments in the bill do not adjust to changes in market conditions, which would leave farmers, and rural communities in which they live, vulnerable to reductions in crop prices or yields. I am firmly committed to submitting legislation and working with Congress next year to strengthen the farm safety net.”

Senator Lugar's office has received a fairly good response from farmers. "Farmers like Freedom to the Farm because they can now adjust their crop rotation, and secondly, all farmers will acknowledge that in the past government payments were received when they didn't need them and taken back when they needed the money,” Comer says. With the new system the government cannot ask for the money back as in the past.

Like previous Farm Bills, in the year 2003 FAIR will revert to the last permanent legislation of 1949.

Now that the waiting is over, farmers can make final planting decisions and start playing the market game without the government holding their hand.

AJ

Farm Bill Almanac

Early May

FSA will provide farm base and yield notices to producers. These will be the basis for computing commodity payments under the bill.

May 1

Dairy marketing assessments end. USDA will make applicable refunds for the 1995 and 1996 marketing years at a later date.

Late-May to mid-July

USDA will begin sign-up for producers to enroll farms and sign Production Flexibility Contracts. Thirty days after FSA approves contracts, advance 1996 payments will be made.

August 1

Deadline for sign up. No one can sign contracts after this date, except those with expiring CRP contracts.

September 30

Final 1996 payment will be made to producers.

December 15, 1996, or January 15, 1997

1997 crop advance payments will be made at the option of the producer.

Commodity Section of FAIR Sign Up

The Bill requires USDA to hold a one-time sign up. This is expected to run from late May through mid-July 1996. Except for the CRP, producers who miss this one sign up period, which will cover crop years 1996 through 2002, will not be eligible to enroll later.

Producers on a farm with eligible cropland may sign a Production Flexibility Contract. The producer must continue to comply with the conservation and wetland protection requirements on the farm, comply with the planting flexibility requirements, and use the contract acreage for an agricultural or related activity. All contracts will begin with the 1996 crop, except for CRP, when the contract begins on the date the production flexibility contract was signed or expanded to cover the acreage. All contracts extend through the 2002 crop, unless ended earlier by mutual agreement of the Secretary and other parties to the contract.

At the beginning of each fiscal year, land from expiring CRP contracts may be added to existing agreements or enrolled as new agreements as the CRP contract expires. For the fiscal year the CRP contract is ended, the owner or producer has the option to choose between either the contract payments or a pro-rated payment under the CRP contract, but not both.

Eligibility

To enter into a contract, a person must meet the following criteria:

- An owner of eligible farmland who assumes all or part of the risk of producing a crop.
- A producer (other than an owner) with a share-rent lease of the eligible cropland, regardless of the length of the lease, if the owner enters into the same contract.
- A producer (other than an owner) on eligible farmland who cash rents the eligible cropland under a lease expiring on or after Sept. 30, 2002, in which case the consent of the owner is not required.
- A producer (other than an owner) on eligible farmland who cash rents the eligible cropland under a lease expiring before Sept. 30, 2002. The owner of the eligible crop acreage bases may also enter into the same contract. If the producer enrolls less than 100 percent of the eligible cropland in the contract, the consent of the owner is required.
- An owner of eligible farmland who cash rents the eligible farmland with a lease term that expires before Sept. 30, 2002, if the tenant declines to enter.

The Secretary of Agriculture is required to maintain adequate safeguards to protect the interests of tenants and sharecroppers.

Eligible contract acreage must have either been included in the annual acreage reduction program for at least one out of the last five crops, or have been considered planted. The definition of considered planted has been expanded to include acreage which may not have participated, but which was reported to the local Farm Service Agency office. Eligible contract acreage also includes cropland subject to a CRP contract whose term expired, or was voluntarily terminated, after Jan. 1, 1995, or is released by the Secretary between Jan. 1, 1995, and Aug. 1, 1996.

An owner or producer may enroll all or a portion of the eligible cropland on the farm as contract acreage. Also, an owner or producer who enters into a contract may subsequently reduce, but not add to, the quantity of contract acreage covered by the contract.

Payments

Annual payments will be made no later than Sept. 30 of each of fiscal years 1996-2002. For FY 1997-2002, a 50 percent advance payment will be made at the option of the owner or producer on Dec. 15 or Jan. 15 of the fiscal year. Owners and producers must give advance notice as to which date they prefer, and the date may change from year to year. For 1996, the advance payment will be made no later than 30 days after the date on which an owner's or producer's contract is approved.

Spending Levels

FY 1996	\$5.570 billion
FY 1997	\$5.385 billion
FY 1998	\$5.800 billion
FY 1999	\$5.603 billion
FY 2000	\$5.130 billion
FY 2001	\$4.130 billion
FY 2002	\$4.008 billion

Crop Shares

wheat	26.26 percent
corn	46.22 percent
sorghum	5.11 percent
barley	2.16 percent
oats	0.15 percent
upland cotton	11.63 percent
rice	8.47 percent

Marketing Loans

Current loan rate formulas will be maintained for wheat, feed grains, and upland cotton. Rice loan rates are frozen at \$6.50 per hundredweight (cwt.). However, loan rates are capped at their 1995 level except for soybeans and minor oilseeds. Soybean rates will range between \$4.92 and \$5.26 per bushel. The range for minor oilseeds will be between \$8.70 and \$9.30 cwt.

Payment Limitations

The total amount of contract payments made to a person under one or more production flexibility contracts during any fiscal year may not exceed \$40,000, down from the current \$50,000.

Marketing loan gains and loan deficiency payments are limited to \$75,000 per person. The three-entity rule is retained.

Planting Flexibility

Except for fruits and vegetables, any commodity or crop may be planted on contract acreage on a farm.

The planting for harvest of fruits and vegetables (other than lentils, mung beans, and dry peas) is prohibited on contract acreage, except in the following situations:

- Harvesting double-cropped fruits and vegetables on contract acreage is permitted, without loss of payments, in any region which has a history of double-cropping contract commodities with fruits and vegetables. An individual farm does not have to have a double-cropping history, only the region.
- Harvesting of any fruits or vegetables on contract acreage is permitted, with an acre-for-acre loss of contract payments for each contract acre planted to fruits or vegetables, if the Secretary of Agriculture determines that there is a history of planting fruits and vegetables on the farm.
- Harvesting a specific fruit or vegetable on contract acreage is permitted, with an acre-for-acre loss of contract payments for each contract acre planted to the specific fruit or vegetable, if the Secretary determines that a producer has an established planting history of the specific fruit or vegetable. In such a case, the quantity harvested cannot exceed the producer's average annual planting history of the specific fruit or vegetable during the 1991-1995 crop years (excluding any crop year with 0 acres planted).

Haying and grazing restrictions have been eliminated, except for CRP acres. There are no minimum planting requirements for contract commodities. There are no restrictions as to what a producer can plant on non-contract acres.

Transfers

A transfer or change in ownership or producer in the contract acreage covered by the contract will result in the termination of the contract for that acreage, unless the new producer or owner of the acreage agrees to assume all obligations under the contract.

For more information, contact your local Farm Service Agency, USDA, or Dann Stuart, (202) 690-0474.